

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Flushing	County Genesee
Audit Date March 31, 2004	Opinion Date June 11, 2004	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

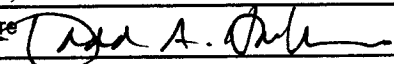
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1-968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91 ], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 1 00% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 E. Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature  Tadd A. Harburn, CPA			

**Annual Financial Report**  
**Charter Township of Flushing**  
**Genesee County, Michigan**  
**March 31, 2004**

**Annual Financial Report**

**Charter Township of Flushing**

**Genesee County, Michigan**

**March 31, 2004**

Andrew Trogot, Supervisor

Julia A. Morford, Clerk

Carl G. Liepmann, Treasurer

Ronald R. Flowers, Trustee

Ann L. Fotenakes, Trustee

Michael S. Gardner, Trustee

Ida M. Reed, Trustee

Charter Township of Flushing  
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March 31, 2004

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*Independent Auditors' Report*

The Honorable Members  
of the Township Board of the  
Charter Township of Flushing  
Genesee County, Michigan

We have audited the accompanying general purpose financial statements of the Charter Township of Flushing, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of the Charter Township of Flushing, Michigan, at March 31, 2004, and the results of its operations, and the cash flows of its proprietary fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying analysis of funding process required supplementary information on pages 28 and 29, and the combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Charter Township of Flushing, Michigan. The information in these statements and schedules has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements, taken as a whole.

*BKR Dupuis & Ryden*

Certified Public Accountants  
Flint Office

June 11, 2004

**General Purpose**  
**Financial Statements**

**Charter Township of Flushing**  
**Combined Balance Sheet - All Fund Types and Account Groups**  
**March 31, 2004**

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Agency</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 285,919	\$ 859,068	\$ 1,689,253	\$ 3,039
Cash - restricted	2,493	-	-	-
Investments	3,009	7,542	-	-
Receivables (net of allowance for estimated uncollectible accounts of \$0 - 2004 and \$0 - 2003):				
Accounts	15,668	26,674	18,983	700
Accrued interest	-	-	1,963	-
Tap-in contracts	-	-	73,605	-
Special assessments	-	-	286,132	-
Unbilled fees receivable	-	-	176,950	-
Due from other funds	27,977	71	91	-
Due from other governments	109,203	85,195	9,015	205
Prepaid items	1,160	578	-	-
Fixed assets (net of accumulated depreciation)	-	-	6,426,840	-
Construction in progress	-	-	-	-
Amount to be provided for retirement of General Long-Term Debt	-	-	-	-
<b>Total assets</b>	<b>\$ 445,429</b>	<b>\$ 979,128</b>	<b>\$ 8,682,832</b>	<b>\$ 3,944</b>

*See notes to financial statements.*



Account Groups		T o t a l s	
General	General	(Memorandum Only)	
Fixed	Long-Term	2004	2003
Assets	Debt		
\$ -	\$ -	\$ 2,837,279	\$ 2,960,665
-	-	2,493	4,589
-	-	10,551	46,300
-	-	62,025	36,123
-	-	1,963	2,400
-	-	73,605	90,015
-	-	286,132	244,536
-	-	176,950	190,186
-	-	28,139	134,096
-	-	203,618	245,253
-	-	1,738	2,440
2,221,700	-	8,648,540	8,300,787
-	-	-	11,498
-	185,014	185,014	173,071
\$ 2,221,700	\$ 185,014	\$ 12,518,047	\$ 12,441,959

(continued)

**Charter Township of Flushing**  
**Combined Balance Sheet - All Fund Types and Account Groups - (continued)**  
**March 31, 2004**

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Agency</u>
<b>Liabilities</b>				
Accounts payable	\$ 37,960	\$ 11,934	\$ 140,938	\$ -
Accrued liabilities	-	8,084	-	-
Due to other funds	-	24,710	366	3,063
Due to other governments	-	-	-	881
Capital lease obligation	-	-	-	-
<b>Total liabilities</b>	<b>37,960</b>	<b>44,728</b>	<b>141,304</b>	<b>3,944</b>
<b>Fund equity and other credits</b>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	3,795,939	-
Retained earnings	-	-	4,745,589	-
Fund balance:				
Reserved for prepaid items	1,160	578	-	-
Reserved for employee benefits	2,493	-	-	-
Unreserved:				
Designated for subsequent years' expenditures	-	361,669	-	-
Undesignated	403,816	572,153	-	-
<b>Total fund equity     and other credits</b>	<b>407,469</b>	<b>934,400</b>	<b>8,541,528</b>	<b>-</b>
<b>Total liabilities, fund     equity, and other credits</b>	<b>\$ 445,429</b>	<b>\$ 979,128</b>	<b>\$ 8,682,832</b>	<b>\$ 3,944</b>

*See notes to financial statements.*

Account Groups		Totals	
General	General	(Memorandum Only)	
Fixed	Long-Term	2004	2003
Assets	Debt		
\$ -	\$ -	\$ 190,832	\$ 154,084
-	181,360	189,444	170,528
-	-	28,139	134,096
-	-	881	31,385
-	3,654	3,654	6,258
-	185,014	412,950	496,351
2,221,700	-	2,221,700	2,201,898
-	-	3,795,939	3,795,939
-	-	4,745,589	4,425,524
-	-	1,738	2,440
-	-	2,493	4,589
-	-	361,669	282,295
-	-	975,969	1,232,923
2,221,700	-	12,105,097	11,945,608
\$ 2,221,700	\$ 185,014	\$ 12,518,047	\$ 12,441,959

**Charter Township of Flushing**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**All Governmental Fund Types**  
**Year Ended March 31, 2004**  
**With Comparative Totals for the Year Ended March 31, 2003**

	General	Special Revenue	Totals (Memorandum Only)	
			2004	2003
<b>Revenues:</b>				
Taxes	\$ 119,093	\$ 711,057	\$ 830,150	\$ 796,184
Special assessments	-	-	-	15,200
Customer assessments	-	349,078	349,078	450,139
Licenses and permits	-	61,209	61,209	54,311
Intergovernmental:				
Federal	-	64,223	64,223	85,326
State	769,318	3,059	772,377	826,033
Local	-	22,075	22,075	-
Fines	400	40,598	40,998	38,589
Charges for services	76,362	-	76,362	62,635
Interest	7,897	13,350	21,247	30,323
Miscellaneous	28,140	122,553	150,693	118,522
Total revenues	1,001,210	1,387,202	2,388,412	2,477,262
<b>Expenditures:</b>				
Current:				
General government:				
Township board	157,549	1,049	158,598	125,638
Supervisor	59,775	-	59,775	55,875
Assessor	64,148	-	64,148	64,173
Elections	10,283	-	10,283	15,000
Clerk	193,543	-	193,543	184,531
Treasurer	70,112	-	70,112	63,113
Accounting	52,819	-	52,819	52,626
Township hall and grounds	61,192	-	61,192	42,409
Public safety:				
Law enforcement	-	890,805	890,805	791,856
Fire	107,000	-	107,000	107,250
Building department	-	64,606	64,606	65,908
Code enforcement	14,249	-	14,249	14,667
Public service	192,534	39,007	231,541	857,975
Parks and recreation	-	92,082	92,082	111,527
Sanitation	-	448,557	448,557	436,035
Capital outlay	3,458	46,022	49,480	77,822
Debt service:				
Principal	-	-	-	100,000
Interest and fiscal charges	-	-	-	2,650
Total expenditures	986,662	1,582,128	2,568,790	3,169,055
Excess (deficiency) of revenues over expenditures	14,548	(194,926)	(180,378)	(691,793)
<b>Other financing sources (uses):</b>				
Operating transfers in	25,000	20,000	45,000	134,686
Operating transfers out	(20,000)	(25,000)	(45,000)	(134,686)
Sale of fixed assets	-	-	-	2,527
County surplus	-	-	-	720
Total other financing sources (uses)	5,000	(5,000)	-	3,247
Excess (deficiency) of revenues and other sources over expenditures and other uses	19,548	(199,926)	(180,378)	(688,546)
Fund balance at beginning of year	387,921	1,134,326	1,522,247	2,306,739
Residual equity transfer out	-	-	-	(95,946)
<b>Fund balance at end of year</b>	<b>\$ 407,469</b>	<b>\$ 934,400</b>	<b>\$ 1,341,869</b>	<b>\$ 1,522,247</b>
<i>See notes to financial statements.</i>				

**Charter Township of Flushing**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual - General and Special Revenue Funds**  
**Year Ended March 31, 2004**

		<b>General Fund</b>	
		<b>Budget</b>	<b>Actual</b>
			<b>Variance- Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Taxes	\$ 114,000	\$ 119,093	\$ 5,093
Customer assessments	-	-	-
Licenses and permits	2,000	-	(2,000)
Intergovernmental:			
Federal	-	-	-
State	819,000	769,318	(49,682)
Local	-	-	-
Fines	250	400	150
Charges for services	60,000	76,362	16,362
Interest	27,050	7,897	(19,153)
Miscellaneous	47,700	28,140	(19,560)
Total revenues	1,070,000	1,001,210	(68,790)
<b>Expenditures:</b>			
Current:			
General government:			
Township board	153,290	157,549	(4,259)
Supervisor	60,050	59,775	275
Assessor	68,250	64,148	4,102
Elections	11,900	10,283	1,617
Clerk	197,195	193,543	3,652
Treasurer	71,640	70,112	1,528
Accounting	54,840	52,819	2,021
Township hall and grounds	52,350	61,192	(8,842)
Public safety:			
Law enforcement	-	-	-
Fire	110,000	107,000	3,000
Building department	-	-	-
Code enforcement	16,250	14,249	2,001
Public service	383,000	192,534	190,466
Parks and recreation	-	-	-
Sanitation	-	-	-
Capital outlay	17,560	3,458	14,102
Total expenditures	1,196,325	986,662	209,663
Excess (deficiency) of revenues over expenditures	(126,325)	14,548	140,873

See notes to financial statements.

Special Revenue Funds		
Budget	Actual	Variance- Favorable (Unfavorable)
\$ 684,500	\$ 711,057	\$ 26,557
420,000	349,078	(70,922)
56,000	61,209	5,209
10,000	25,461	15,461
2,600	3,059	459
-	22,075	22,075
26,500	40,598	14,098
-	-	-
24,525	13,350	(11,175)
90,225	122,553	32,328
1,314,350	1,348,440	34,090

1,150	1,049	101
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
976,100	890,805	85,295
-	-	-
67,300	64,606	2,694
-	-	-
425	245	180
104,535	92,082	12,453
449,000	448,557	443
56,059	46,022	10,037
1,654,569	1,543,366	111,203
(340,219)	(194,926)	145,293

(continued)

**Charter Township of Flushing**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual - General and Special Revenue Funds (continued)**  
**Year Ended March 31, 2004**

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance- Favorable (Unfavorable)</b>
<b>Other financing sources (uses):</b>			
Operating transfers in	35,000	25,000	(10,000)
Operating transfers out	(82,500)	(20,000)	62,500
Sale of fixed assets	100	-	(100)
<b>Total other financing sources (uses)</b>	<b>(47,400)</b>	<b>5,000</b>	<b>52,400</b>
 Excess (deficiency) of revenues and other sources over expenditures and other uses	 (173,725)	 19,548	 193,273
 Fund balance at beginning of year	 387,921	 387,921	 -
 <b>Fund balance at end of year</b>	 <b>\$ 214,196</b>	 <b>\$ 407,469</b>	 <b>\$ 193,273</b>

*See notes to financial statements.*

Special Revenue Funds		
Budget	Actual	Variance- Favorable (Unfavorable)
72,500	20,000	(52,500)
(25,000)	(25,000)	-
-	-	-
47,500	(5,000)	(52,500)
(292,719)	(199,926)	92,793
1,134,326	1,134,326	-
\$ 841,607	\$ 934,400	\$ 92,793



**Charter Township of Flushing**  
**Statements of Revenues, Expenses, and Changes in Retained Earnings -**  
**Proprietary Fund Type - Enterprise Fund (Water and Sewer Fund)**  
**Years Ended March 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Operating revenues:</b>		
Water usage fees	\$ 748,736	\$ 742,647
Sewer treatment fees	130,333	132,226
Late charges	16,740	15,043
Miscellaneous sales	1,404	1,156
	<hr/>	<hr/>
Total operating revenues	897,213	891,072
	<hr/>	<hr/>
<b>Operating expenses:</b>		
Water usage cost	572,538	571,614
Sewer treatment cost	99,277	114,876
Hydrant service	9,239	11,232
Computer billing charges	3,851	3,533
Professional fees	6,392	3,862
Depreciation	131,055	126,480
Pumping station maintenance	12,878	14,910
Pumping station utilities	3,273	2,161
Miscellaneous	2,711	2,594
	<hr/>	<hr/>
Total operating expenses	841,214	851,262
	<hr/>	<hr/>
Operating income	55,999	39,810
	<hr/>	<hr/>
<b>Non-operating revenues:</b>		
Interest on investments	19,478	30,432
Interest on tap-in contracts and assessments	8,038	17,587
Tap-in fees	236,550	147,300
	<hr/>	<hr/>
Total non-operating revenues	264,066	195,319
	<hr/>	<hr/>
Net income	320,065	235,129
Retained earnings at beginning of year	4,425,524	4,094,449
Residual equity transfer in	-	95,946
	<hr/>	<hr/>
Retained earnings at end of year	\$ 4,745,589	\$ 4,425,524
	<hr/>	<hr/>

*See notes to financial statements.*

**Charter Township of Flushing**  
**Statements of Cash Flows**  
**Proprietary Fund Type - Enterprise Fund (Water and Sewer Fund)**  
**Years Ended March 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash flows from operating activities:</b>		
Operating income	\$ 55,999	\$ 39,810
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	131,055	126,480
Decrease (increase) in:		
Receivables	6,525	(280)
Due from other governments	1,678	(4,353)
Due from other funds	38,225	13,519
Increase (decrease) in:		
Accounts payable	28,342	(7,097)
Due to other funds	(32,598)	(57,400)
	<u>229,226</u>	<u>110,679</u>
Net cash provided by operating activities		
<b>Cash flows from investing activities:</b>		
Interest received on investments	<u>19,478</u>	<u>30,432</u>
Net cash provided by investing activities	<u>19,478</u>	<u>30,432</u>
<b>Cash flows from capital and related financing activities:</b>		
Payments received on tap-ins	144,674	97,883
Payments received on special assessments	66,690	71,456
Interest received on tap-in contracts	8,475	23,049
Acquisition and construction of capital assets	(447,508)	(125,589)
Residual equity transfer in	-	95,946
	<u>(227,669)</u>	<u>162,745</u>
Net cash provided by (used in) capital and related financing activities		
Net increase in cash and cash equivalents	21,035	303,856
Cash and cash equivalents at beginning of year	<u>1,668,218</u>	<u>1,364,362</u>
Cash and cash equivalents at end of year	<u>\$ 1,689,253</u>	<u>\$ 1,668,218</u>
<b>Non-cash capital and related financing activities:</b>		
Contributions provided by residents for special assessment	<u>\$ 108,286</u>	<u>\$ 57,800</u>

*See notes to financial statements.*

**Notes to**  
**Financial Statements**

**Charter Township of Flushing**  
**Notes to Financial Statements**  
**March 31, 2004**

**I. Summary of significant accounting policies**

The Charter Township of Flushing was formed in 1838. The Township provides the following services as authorized by law: public safety (police, fire and inspections), highways and streets, sanitation, public improvements, recreation, planning and general administrative services.

The accounting policies of the Charter Township of Flushing conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**A. Financial reporting entity:**

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Charter Township of Flushing, Michigan (the primary government) and its component units. The Township currently does not have any component units.

**B. Basis of presentation - fund accounting:**

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into six generic fund types in three broad fund categories and two account groups as follows:

**GOVERNMENTAL FUNDS**

**General Fund** - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

**PROPRIETARY FUNDS**

**Enterprise Fund** - The Water and Sewer Enterprise Fund is used to account for the provision of water and sewer services to Township residents. The operations are accounted for in an Enterprise fund as the water and sewer operations are financed and operated in a manner similar to private business enterprises - where the intent of the Township is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**FIDUCIARY FUND**

**Agency Fund** - Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Charter Township of Flushing**  
**Notes to Financial Statements**  
**March 31, 2004**

**I. Summary of significant accounting policies - (continued)**

**B. Basis of presentation - fund accounting: - (continued)**

**ACCOUNT GROUPS**

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the Township, other than those accounted for in the Water and Sewer Enterprise Fund.

General Long-Term Debt Account Group - This account group is established to account for all long-term debt of the Township except that accounted for in the Water and Sewer Enterprise Fund.

**C. Basis of accounting:**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year end to pay liabilities of the current period. Significant revenues susceptible to accrual include most federal and state intergovernmental revenues (e.g. federal grants and state revenue sharing) and charges for services. Most state intergovernmental revenues (e.g. income taxes, sales taxes), licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received. Property taxes are recognized as revenues in the year for which they are levied.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

The Water and Sewer Enterprise fund is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned, and its expenses are recognized when they are incurred. The fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Unbilled Water and Sewer Fund utility service receivables are recorded at year end. Non-exchange contributions (generally tap-in fees) are recorded as non-operating revenues.

**Charter Township of Flushing**  
**Notes to Financial Statements**  
**March 31, 2004**

**I. Summary of significant accounting policies - (continued)**

**D. Budgetary data:**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. Informational summaries of projected revenues and expenses are provided for the Water and Sewer Enterprise Fund.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted on a departmental (activity) basis for all budgetary funds through passage of a resolution in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts, however, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. All budgets are adopted on a basis consistent with generally accepted accounting principles except as indicated in item 8 below.
6. Budget appropriations lapse at year end except for approved contracts and certain federal grants which are appropriated on a contract (grant) length basis.
7. Budgeted amounts are reported on the financial statements as originally adopted or as amended by the Township Board.
8. The Community Development Special Revenue Fund is budgeted on a project length basis. As a result of this different budget perspective, the Community Development Fund is not included in the special revenue budget to actual statements. The following analysis reconciles the differences between generally accepted accounting principles and budgetary reporting in the general purpose financial statements for the special revenue fund type.

**Charter Township of Flushing**  
**Notes to Financial Statements**  
**March 31, 2004**

**I. Summary of significant accounting policies - (continued)**

**D. Budgetary data: - (continued)**

**8. (continued)**

	<u>Budgeted Funds</u>	<u>Community Development Fund</u>	<u>Combined Actual Total</u>
Revenues	\$1,348,432	\$ 38,762	\$1,387,194
Expenditures	1,543,358	38,762	1,582,120
Excess (deficiency) of revenues over expenditures	(194,926)	-	(194,926)
Transfers in	20,000	-	20,000
Transfers out	(25,000)	-	(25,000)
Fund balance - beginning	1,134,326	-	1,134,326
Fund balance - ending	<u>\$ 934,400</u>	<u>\$ -0-</u>	<u>\$ 934,400</u>

**E. Assets, liabilities, and fund equity:**

**1. Fixed assets and long-term liabilities**

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than the governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

**Charter Township of Flushing**  
**Notes to Financial Statements**  
**March 31, 2004**

**I. Summary of significant accounting policies - (continued)**

**E. Assets, liabilities, and fund equity: - (continued)**

**1. Fixed assets and long-term liabilities – (continued)**

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

Water System	60 years
Sewer System	100 years
Equipment	10 years

**2. Deposits and investments**

Deposits are carried at cost plus accrued interest and consist of checking accounts and certificates of deposit. The carrying amount of deposits is separately displayed on the balance sheet as "Cash and cash equivalents."

The Township considers all highly liquid investments, with a maturity of 90 days or less when purchased, as cash and cash equivalents. Investments are carried at fair value and consist of repurchase agreements and governmental securities.



**Charter Township of Flushing**  
**Notes to Financial Statements**  
**March 31, 2004**

**I. Summary of significant accounting policies - (continued)**

**F. Revenues, expenditures, and expenses:**

**1. Vacation and sick pay policy**

All full-time Township employees are paid for sick days on an as needed basis up to a reasonable limit, as determined by management. Sick pay is recorded as an expenditure in the year used. Police officers may accumulate and carryover to the next fiscal year a maximum of 75 days of sick pay. Accumulated and unpaid sick pay liability has been accrued within the general long-term debt account group.

Police officers may accumulate and carryover to the next fiscal year no more than one-half of their annual vacation time up to two years. General Township employees are allowed to carryover up to half of their annual vacation time up to two years. Accumulated and unpaid vacation days for police officers and general Township employees have been accrued within the general long-term debt account group.

**2. Property taxes**

Property taxes are attached as an enforceable lien on property as of December 31. Taxes are levied on the following December 1, and are payable without penalty through February 28. The Township bills and collects its own property taxes and also collects the taxes for the county and several school districts within its jurisdiction through February 28. After February 28, the delinquent real property taxes are collected by Genesee County. Collections and remittances of the county and school taxes are accounted for in the Current Tax Agency Fund. Township property tax revenues are recognized when levied to the extent that they are measurable and available.

Available means, due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough to pay (liquidate) current liabilities after year end. As of March 31, 2004, the Township has recorded a delinquent real property tax receivable of \$69,523, which is classified as due from other governments within the financial statements.

**G. Comparative data:**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, comparative data (i.e., presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**H. Total columns on the General Purpose Financial Statements:**

Total columns on the General Purpose Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Charter Township of Flushing**  
**Notes to Financial Statements**  
**March 31, 2004**

**I. Summary of significant accounting policies - (continued)**

**I. Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, however, management believes any such difference would not be material to the financial statements taken as a whole.

**J. Reclassifications:**

Certain year 2003 comparative figures have been reclassified to conform to the current year presentation.

**II. Detail notes on all funds and account groups**

**A. Assets and liabilities:**

**1. Deposits and investments**

**Deposits:**

The Township's deposits consist of checking accounts and certificate of deposits and are recorded on the financial statements as cash and cash equivalents and restricted cash. At year end, the carrying amount of the Township's deposits was \$1,448,439, which excludes \$1,550 of petty cash. The bank balance was \$1,512,384. The difference between the book balance and the bank balance at year end is due to outstanding checks and deposits. Of the bank balance, \$165,181, or 16%, was covered by federal depository insurance, and the remaining balance was not insured or collateralized.

**Investments:**

State statutes authorize the Township to invest in direct obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations collateralized by the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments. The Township Board has adopted the above as its investment policy and additionally approved the following as authorized depositories: Bank One, Citizens Bank, First of Michigan Corporation, Republic Bank, Montrose State Bank, Heritage Federal Savings, Standard Federal Savings, and Raymond James and Company.

**Charter Township of Flushing**  
**Notes to Financial Statements**  
**March 31, 2004**

**II. Detail notes on all funds and account groups – (continued)**

**A. Assets and liabilities: – (continued)**

**1. Deposits and investments – (continued)**

**Investments: – (continued)**

The Township's investments at March 31, 2004 are as follows:

Repurchase agreements (checking/sweep accounts) - uninsured, registered collateral held by bank's agent not in Township name	\$1,389,783
U.S. governmental securities (registered and held by broker in Township's name)	<u>10,551</u>
	<u>\$1,400,334</u>

The repurchase agreements are classified on the balance sheet as cash and cash equivalents.

**2. Changes in General Fixed Assets**

	Balance April 1, <u>2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance March 31, <u>2004</u>
Building and building improvements	\$ 884,694	\$ -	\$ -	\$ 884,694
Communication equipment	16,603	-	-	16,603
Fire arms	2,044	-	-	2,044
Furniture and equipment	168,018	3,533	-	171,551
Land	21,200	-	-	21,200
Miscellaneous police equipment	88,158	1,103	-	89,261
Park-land, equipment and buildings	721,688	1,543	-	723,231
Police vehicles	185,538	19,460	31,296	173,702
Township vehicles	113,955	25,459	-	139,414
	<u>\$2,201,898</u>	<u>\$ 51,098</u>	<u>\$ 31,296</u>	<u>\$2,221,700</u>

**Charter Township of Flushing**  
**Notes to Financial Statements**  
**March 31, 2004**

**II. Detail notes on all funds and account groups - (continued)**

**A. Assets and liabilities: - (continued)**

**3. Summary of Proprietary Fund fixed assets**

Investment in water system	\$7,316,232
Investment in sewer system	1,178,188
Equipment	<u>29,150</u>
	8,523,570
Accumulated depreciation	<u>2,096,730</u>
Total property, plant, and equipment - net	<u><u>\$6,426,840</u></u>

**4. Pension plans**

The Township has two separate pension plans, one for police officers, and one for all other employees. Benefit provisions and contributions obligations have been established by the Township Board.

**A. Defined contribution plan:**

The Township has a defined contribution pension plan administered by Manufacturer's Life Insurance Company, covering all of its employees except police officers and those classified as part-time. Twenty percent of base wages are contributed to the plan by the Township. The employee also has an option of contributing an additional eleven percent. General Township employees are 100% vested after one year. The pension, as established, does not recognize prior service costs as it is based exclusively on current compensation earned by participants. Benefit provisions and contribution obligations have been established by the Township Board. Membership in the plan at March 31, 2004 is comprised of 15 active and 1 inactive. There are no retirants or beneficiaries. The Township's policy is to fund pension costs accrued on an annual basis.

Payroll costs of all employees, and payroll costs including holiday and overtime pay of plan participants, amounted to \$1,030,426 and \$346,061, respectively (note the pension contribution is not made on holiday and overtime pay). During the year ended March 31, 2004, employer contributions of \$69,120 and employee contributions of \$17,102 were contributed to the plan. Employer and employee contributions represented 20% and 4.9% of total covered payroll, respectively.

**B. Defined benefit plan:**

The Township also participates in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The Township has no fiduciary responsibility for the plan. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole.

**Charter Township of Flushing**  
**Notes to Financial Statements**  
**March 31, 2004**

**II. Detail notes on all funds and account groups - (continued)**

**A. Assets and liabilities: - (continued)**

**4. Pension plans - (continued)**

**B. Defined benefit plan: - (continued)**

**(1) Plan description:**

The pension plan provides pension benefits, deferred allowances, and death and disability benefits for Township police officers only. Benefits are vested after eight years of service. Retirement is based on one of the following requirements:

1. Age 60 with 10 or more years of credited service,
2. Age 50 with 25 or more years of credited service,
3. Age 55 with 15 or more years of credited service can retire at reduced benefits.

Police officers who retire after reaching requirement one or two are entitled to 2.5% of the member's three year final average compensation (FAC) times the number of years and months of credited service for that member. The annual benefit shall not exceed 80% of the FAC.

The retirement allowance is reduced for employees who retire after reaching requirement three by .5% for each complete month that retirement precedes the age of 60.

Pension provisions include deferred allowances whereby an employee may terminate employment with the Township after accumulating 10 years of service but before reaching the age of 60 (age 55 or 50 in certain cases). If the employee does not withdraw his or her accumulated contributions, the employee is entitled to all pension benefits upon reaching retirement age as discussed in the second paragraph.

Pension provisions include death and disability benefits. A disabled employee is entitled to full benefits after acquiring 10 or more years of credited service, whereas a surviving spouse is entitled to receive an amount equal to 85% of the employee's final, three-year average salary. Benefits are determined by State statutes.

Membership in the plan at December 31, 2002, the date of the latest actuarial valuation, is comprised of 8 active members. There were 2 inactive vested members, and no retirants, or beneficiaries at December 31, 2002.

**(2) Contributions:**

The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

**Charter Township of Flushing**  
**Notes to Financial Statements**  
**March 31, 2004**

**II. Detail notes on all funds and account groups - (continued)**

**A. Assets and liabilities: - (continued)**

**4. Pension plans -(continued)**

**(3) Funding method and assumptions:**

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. Police employees are required to deposit 2.0% of all monetary compensation. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary. The Township's current rate was 9.5% of annual covered payroll.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Annual required pension cost	\$ 34,680
Contributions made	34,680
Actuarial valuation date	December 31, 2002
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent
Remaining amortization period (weighted)	34 years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	8.0%
Projected salary increase	4.5%

**5. Long-term debt**

The following is a summary of long-term debt transactions of the Township for the year ended March 31, 2004:

	Capital <u>Lease</u>	Accrued Sick and Vacation <u>Leave</u>	<u>Total</u>
Long-term debt payable at April 1, 2003	\$ 6,258	\$166,813	\$ 173,071
Change in accrued sick and vacation	-	14,547	14,547
Debt retired	(2,604)	-	(2,604)
Long-term debt at March 31, 2004	<u>\$ 3,654</u>	<u>\$181,360</u>	<u>\$185,014</u>

**Charter Township of Flushing**  
**Notes to Financial Statements**  
**March 31, 2004**

**II. Detail notes on all funds and account groups - (continued)**

**A. Assets and liabilities: - (continued)**

**5. Long-term debt – (continued)**

All long-term debt is recorded in the General Long-Term Debt Account Group.

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10% of the assessed real and personal property in the Township. As of March 31, 2004, the Charter Township of Flushing has not incurred any indebtedness, which would be limited under Act 359.

**Capital lease:**

The Township entered into capital leases for the purchase of two copiers. The capital leases are secured by the equipment purchased of \$12,170. The leased assets have been recorded in the General Fixed Assets Account Group. Future minimum lease payments are as follows:

<u>Year Ended</u>	
2005	\$ 3,144
2006	<u>847</u>
Future minimum lease payments	3,991
Less amount representing interest	<u>337</u>
Capital leases payable at March 31, 2004	<u><u>\$ 3,654</u></u>

**6. Deferred Compensation Plan**

The Township offers its employees a Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their current salary until future years. Participation in the plan is optional. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseen emergency. The Township's plan administrator, Pesco and Aetna, has placed the assets of the plan within a restricted trust for the exclusive benefit of employees. As a result, the plan assets are not considered assets of the Township and are not recorded in these financial statements.

**Charter Township of Flushing**  
**Notes to Financial Statements**  
**March 31, 2004**

**II. Detail notes on all funds and account groups - (continued)**

**B. Revenues and expenditures:**

Property taxes

Property taxes are levied based on taxable values of property located in the Township. Assessed values are established annually and equalized by the state at an estimated 50% of current market value. A comparison of assessed and taxable property values for the 2001 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real property	\$294,551,000	\$231,897,580
Personal property	6,145,580	6,145,580
	<hr/>	<hr/>
Total	<u>\$300,696,580</u>	<u>\$238,043,160</u>

For the year ended March 31, 2004, the Township levied .500 mills for general operations. The Township also levied 2.9850 mills for police protection.

**C. Individual fund interfund receivables and payables:**

Individual fund interfund receivables and payables at March 31, 2004, were as follows:

<u>Receivable</u> <u>Fund</u>	<u>Payable</u> <u>Fund</u>	<u>Amount</u>
General	Community Development	\$ 24,619
	Water and sewer	366
	Tax	2,992
Special Revenue:		
Police	Tax	71
Sewer and Water Enterprise	Park	<hr/> 91
Total		<u>\$ 28,139</u>



**Charter Township of Flushing**  
**Notes to Financial Statements**  
**March 31, 2004**

**III. Joint venture agreement**

The Township has entered into a joint agreement with the City of Flushing, to share in the acquisition costs and operating costs of a senior citizens center for township and city residents. The facility renovation and operation is overseen by a joint building operating committee made up of two appointees from each municipality, and are selected by the city and township members. The joint building committee prepares an annual operating budget which is approved by each municipality. All operating regulations, policies, and rules for the center are determined by the committee and approved by the city and township. Operating expenses will be divided between the city and township based on resident usage records. The City of Flushing acts as the fiduciary agent for the Senior Center.

The following is a summary of selected financial information of the Senior Citizens Center:

	<u>Year Ended</u> <u>June 30, 2004</u>
Total assets	\$256,000
Total liabilities	-
Total joint venture equity	256,000
Total revenues	-
Total expenditures	17,696

The Charter Township of Flushing's interest in the Center's net assets as of March 31, 2004, was \$102,400 or 40%.

**IV. Summary disclosures of significant contingencies**

Federally assisted programs:

The Township participates in the federally assisted Community Development Block Grant Program and COPS Program. These grant programs are subject to monitoring by the granting agency. The granting agency has yet to make final approval of the expenditures charged to the grants. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

**V. Risk management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance coverage for all claims except employee dental benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township pays dental and vision claims on a reimbursement basis and has set aside employee and employer contributions to pay these claims in the General fund. Liability for unpaid claims was immaterial at March 31, 2004.

**Charter Township of Flushing**  
**Notes to Financial Statements**  
**March 31, 2004**

**VI. Building department revenues and expenses**

The State Construction Code Act, Michigan Public Act 245 of 1999, and the rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. The Township has established a separate special revenue fund for its building activities. The activity related to construction code activity for the year ended March 31, 2004 is as follows:

Construction permit revenue	\$ 81,496
Expenditures:	
Professional services	<u>(90,065)</u>
Revenue under expenditures	<u>\$ (8,569)</u>

**VII. Excess expenditures over budget**

The General Fund incurred expenditures in excess of appropriations as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Budget</u>
General Fund:			
General Government –			
Township board	\$153,290	\$157,549	\$ 4,259
Township hall and grounds	52,350	61,192	8,842

**Required Supplementary  
Information**

**Charter Township of Flushing  
Required Supplementary Information  
Analysis of Funding Progress**

**Defined Benefit Pension Plan  
Schedule of Funding Progress**

Plan Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/c)
12/31/01	12/31/00	\$444,710	\$576,894	\$132,184	77.1%	\$339,422	39%
12/31/02	12/31/01	524,467	697,290	172,823	75.2	348,812	49
12/31/03	12/31/02	596,775	819,377	222,602	72.8	375,963	59

**Defined Benefit Pension Plan  
Schedules of Employer Contributions**

Plan Year End	Actuarial Valuation Date	Annual Required Contribution (ARC)	% of ARC Contributed
12/31/01	12/31/00	\$ 32,174	100.00%
12/31/02	12/31/01	32,930	100.00
12/31/03	12/31/02	34,680	100.00

**Defined Benefit Pension Plan  
Determination of Annual Pension Cost and Net Pension Obligation  
For Plan Year Ended December 31, 2002**

Annual Pension Contribution (APC)	\$ 34,680
Interest on NPO	-
Adjustment to APC	-
Annual pension contribution (APC)	34,680
Contributions made	<u>(34,680)</u>
Increase in Net Pension Obligation (NPO)	-
Net Pension Obligation - beginning of year	-
Net Pension Obligation - end of year	<u>\$ -0-</u>

**Charter Township of Flushing  
Required Supplementary Information  
Analysis of Funding Progress (continued)**

**Defined Benefit Pension Plan  
Three Year Trend Information**

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
12/31/01	12/31/99	\$ 32,174	100.00%	\$ -
12/31/02	12/31/00	32,930	100.00	-
12/31/03	12/31/02	34,680	100.00	-

**Defined Benefit Pension Plan  
Development of Net Pension Obligation at Transition**

**Date of Transition: December 31, 1996**

In each plan year beginning after December 15, 1986, the Township contributed 100% of the actuarially determined required contributions for the plan. Therefore, the Net Pension Obligation (NPO) for the plan at the transition date is zero. The Net Pension Obligation (NPO) was determined in accordance with GASB 27 *"Accounting for Pensions by State and Local Governmental Employers"*.

**Financial Statements  
of Individual Funds**

**Charter Township of Flushing  
General Fund  
Comparative Balance Sheet  
March 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 285,919	\$ 179,028
Cash - restricted	2,493	4,589
Investments	3,009	42,482
Accounts receivables (net of allowance for estimated uncollectible accounts of \$0 - 2004 and \$0 - 2003)	15,668	15,152
Due from other funds	27,977	92,118
Due from other governments	109,203	116,092
Prepaid items	1,160	1,605
 Total assets	 <u>\$ 445,429</u>	 <u>\$ 451,066</u>
 <b>Liabilities and Fund Balance</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 37,960	\$ 25,045
Due to other funds	-	38,100
 Total liabilities	 <u>37,960</u>	 <u>63,145</u>
 <b>Fund balance:</b>		
Reserved for employee benefits	2,493	4,589
Reserved for prepaid items	1,160	1,605
Unreserved:		
Designated for subsequent years expenditures	-	42,410
Undesignated	403,816	339,317
 Total fund balance	 <u>407,469</u>	 <u>387,921</u>
 Total liabilities and fund balance	 <u>\$ 445,429</u>	 <u>\$ 451,066</u>

**Charter Township of Flushing  
Special Revenue Funds  
Combining Balance Sheet  
March 31, 2004  
With Comparative Totals for March 31, 2003**

	<b>D.A.R.E.</b>	<b>Parks and Recreation</b>	<b>Law Enforcement</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 813	\$ 73,107	\$ 331,158
Investments	12	839	2,056
Accounts receivable	-	21,177	5,245
Due from other funds	-	-	71
Due from other governments	-	462	39,678
Prepaid items	-	4	564
<b>Total assets</b>	<b>\$ 825</b>	<b>\$ 95,589</b>	<b>\$ 378,772</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 1,058	\$ 9,437
Accrued liabilities	-	357	7,102
Due to other funds	-	91	-
<b>Total liabilities</b>	<b>-</b>	<b>1,506</b>	<b>16,539</b>
<b>Fund balances:</b>			
Reserved for prepaid items	-	4	564
Unreserved:			
Designated for subsequent years' expenditures	-	-	361,669
Undesignated	825	94,079	-
<b>Total fund balances</b>	<b>825</b>	<b>94,083</b>	<b>362,233</b>
<b>Total liabilities and fund balances</b>	<b>\$ 825</b>	<b>\$ 95,589</b>	<b>\$ 378,772</b>



Solid Waste	Drug Law Enforcement	Building Department	Community Development	Totals	
				2004	2003
\$ 451,531	\$ 1,617	\$ 842	\$ -	\$ 859,068	\$ 1,057,931
4,602	13	20	-	7,542	3,818
-	-	252	-	26,674	8,079
-	-	-	-	71	2,395
20,102	-	-	24,953	85,195	118,468
-	-	10	-	578	835
<b>\$ 476,235</b>	<b>\$ 1,630</b>	<b>\$ 1,124</b>	<b>\$ 24,953</b>	<b>\$ 979,128</b>	<b>\$ 1,191,526</b>

\$ 1,081	\$ -	\$ 24	334	\$ 11,934	\$ 15,422
-	-	625	-	8,084	3,715
-	-	-	24,619	24,710	38,063
1,081	-	649	24,953	44,728	57,200
-	-	10	-	578	835
-	-	-	-	361,669	239,885
475,154	1,630	465	-	572,153	893,606
475,154	1,630	475	-	934,400	1,134,326
<b>\$ 476,235</b>	<b>\$ 1,630</b>	<b>\$ 1,124</b>	<b>\$ 24,953</b>	<b>\$ 979,128</b>	<b>\$ 1,191,526</b>

**Charter Township of Flushing  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Year Ended March 31, 2004  
With Comparative Totals for the Year Ended March 31, 2003**

	<b>D.A.R.E.</b>	<b>Parks and Recreation</b>	<b>Law Enforcement</b>
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ 711,057
Customer assessments	-	-	-
Licenses and permits	-	-	-
Intergovernmental:			
Federal	-	-	25,461
State	-	-	3,059
Local	-	-	22,075
Fines	-	-	40,598
Interest	-	1,569	5,567
Miscellaneous	-	107,174	14,698
	<hr/>	<hr/>	<hr/>
Total revenues	-	108,743	822,515
	<hr/>	<hr/>	<hr/>
<b>Expenditures:</b>			
Current:			
General government:			
Township Board	-	-	649
Public safety:			
Law enforcement	-	-	890,805
Building department	-	-	-
Public service:			
Community service	245	-	-
Parks and Recreation	-	92,082	-
Sanitation	-	-	-
Capital outlay	-	-	20,563
	<hr/>	<hr/>	<hr/>
Total expenditures	245	92,082	912,017
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(245)	16,661	(89,502)
	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses):</b>			
Operating transfers in	-	-	-
Operating transfers out	-	-	(25,000)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	(25,000)
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(245)	16,661	(114,502)
	<hr/>	<hr/>	<hr/>
Fund balance at beginning of year	1,070	77,422	476,735
	<hr/>	<hr/>	<hr/>
<b>Fund balance at end of year</b>	<b>\$ 825</b>	<b>\$ 94,083</b>	<b>\$ 362,233</b>
	<hr/>	<hr/>	<hr/>

Solid Waste	Drug Law Enforcement	Building Department	Community Development	T o t a l s	
				2004	2003
\$ -	\$ -	\$ -	\$ -	\$ 711,057	\$ 682,357
349,078	-	-	-	349,078	450,139
-	-	61,209	-	61,209	54,311
-	-	-	38,762	64,223	85,326
-	-	-	-	3,059	6,643
-	-	-	-	22,075	-
-	-	-	-	40,598	38,489
6,160	19	35	-	13,350	16,726
-	429	252	-	122,553	75,012
355,238	448	61,496	38,762	1,387,202	1,409,003
400	-	-	-	1,049	1,026
-	-	-	-	890,805	791,856
-	-	64,606	-	64,606	65,908
-	-	-	38,762	39,007	51,917
-	-	-	-	92,082	111,527
448,557	-	-	-	448,557	436,035
-	-	25,459	-	46,022	50,099
448,957	-	90,065	38,762	1,582,128	1,508,368
(93,719)	448	(28,569)	-	(194,926)	(99,365)
-	-	20,000	-	20,000	30,000
-	-	-	-	(25,000)	(25,000)
-	-	20,000	-	(5,000)	5,000
(93,719)	448	(8,569)	-	(199,926)	(94,365)
568,873	1,182	9,044	-	1,134,326	1,228,691
\$ 475,154	\$ 1,630	\$ 475	\$ - 0 -	\$ 934,400	\$ 1,134,326

**Charter Township of Flushing  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
Year Ended March 31, 2004**

	D.A.R.E.		
	Budget	Actual	Variance- Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Customer assessments	-	-	-
Licenses and permits	-	-	-
Intergovernmental:			
Federal	-	-	-
State	-	-	-
Local	-	-	-
Fines	-	-	-
Interest	-	-	-
Miscellaneous	500	-	(500)
Total revenues	500	-	(500)
<b>Expenditures:</b>			
Current:			
General government:			
Township Board	-	-	-
Public safety:			
Law enforcement	-	-	-
Building department	-	-	-
Public service:			
Community service	425	245	180
Parks and recreation	-	-	-
Sanitation	-	-	-
Capital outlay	-	-	-
Total expenditures	425	245	180
Excess (deficiency) of revenues over expenditures	75	(245)	(320)
<b>Other financing sources (uses):</b>			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	75	(245)	(320)
Fund balance at beginning of year	1,070	1,070	-
<b>Fund balance at end of year</b>	<b>\$ 1,145</b>	<b>\$ 825</b>	<b>\$ (320)</b>

Parks and Recreation		
Budget	Actual	Variance- Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
1,500	1,569	69
82,200	107,174	24,974
83,700	108,743	25,043
-	-	-
-	-	-
-	-	-
104,535	92,082	12,453
-	-	-
-	-	-
104,535	92,082	12,453
(20,835)	16,661	37,496
52,500	-	(52,500)
-	-	-
52,500	-	(52,500)
31,665	16,661	(15,004)
77,422	77,422	-
\$ 109,087	\$ 94,083	\$ (15,004)

Law Enforcement		
Budget	Actual	Variance- Favorable (Unfavorable)
\$ 684,500	\$ 711,057	\$ 26,557
-	-	-
-	-	-
10,000	25,461	15,461
2,600	3,059	459
-	22,075	22,075
26,500	40,598	14,098
13,015	5,567	(7,448)
7,125	14,698	7,573
743,740	822,515	78,775
700	649	51
976,085	890,805	85,280
-	-	-
-	-	-
-	-	-
-	-	-
30,500	20,563	9,937
1,007,285	912,017	95,268
(263,545)	(89,502)	174,043
-	-	-
(25,000)	(25,000)	-
(25,000)	(25,000)	-
(288,545)	(114,502)	174,043
476,735	476,735	-
\$ 188,190	\$ 362,233	\$ 174,043

(continued)

**Charter Township of Flushing  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual (continued)  
Year Ended March 31, 2004**

	Solid Waste		
	Budget	Actual	Variance- Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Customer assessments	420,000	349,078	(70,922)
Licenses and permits	-	-	-
Intergovernmental:			
Federal	-	-	-
State	-	-	-
Local	-	-	-
Fines	-	-	-
Interest	10,000	6,160	(3,840)
Miscellaneous	200	-	(200)
Total revenues	430,200	355,238	(74,962)
<b>Expenditures:</b>			
Current:			
General government:			
Township Board	450	400	50
Public safety:			
Law enforcement	-	-	-
Building department	-	-	-
Public service:			
Community service	-	-	-
Parks and recreation	-	-	-
Sanitation	449,000	448,557	443
Capital outlay	-	-	-
Total expenditures	449,450	448,957	493
Excess (deficiency) of revenues over expenditures	(19,250)	(93,719)	(74,469)
<b>Other financing sources (uses):</b>			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(19,250)	(93,719)	(74,469)
Fund balance at beginning of year	568,873	568,873	-
Fund balance at end of year	\$ 549,623	\$ 475,154	\$ (74,469)

Drug Law Enforcement		
Budget	Actual	Variance-Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
10	19	9
100	429	329
110	448	338
-	-	-
15	-	15
-	-	-
-	-	-
-	-	-
-	-	-
15	-	15
95	448	353
-	-	-
-	-	-
-	-	-
95	448	353
1,182	1,182	-
\$ 1,277	\$ 1,630	\$ 353

Building Department		
Budget	Actual	Variance-Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
56,000	61,209	5,209
-	-	-
-	-	-
-	-	-
-	-	-
-	35	35
100	252	152
56,100	61,496	5,396
-	-	-
-	-	-
67,300	64,606	2,694
-	-	-
-	-	-
-	-	-
25,559	25,459	100
92,859	90,065	2,794
(36,759)	(28,569)	8,190
20,000	20,000	-
-	-	-
20,000	20,000	-
(16,759)	(8,569)	8,190
9,044	9,044	-
\$ (7,715)	\$ 475	\$ 8,190

(continued)

**Charter Township of Flushing  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual (continued)  
Year Ended March 31, 2004**

	<b>Totals</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance- Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Taxes	\$ 684,500	\$ 711,057	\$ 26,557
Customer assessments	420,000	349,078	(70,922)
Licenses and permits	56,000	61,209	5,209
Intergovernmental:			
Federal	10,000	25,461	15,461
State	2,600	3,059	459
Local	-	22,075	22,075
Fines	26,500	40,598	14,098
Interest	24,525	13,350	(11,175)
Miscellaneous	90,225	122,553	32,328
Total revenues	1,314,350	1,348,440	34,090
<b>Expenditures:</b>			
Current:			
General government:			
Township Board	1,150	1,049	101
Public safety:			
Law enforcement	976,100	890,805	85,295
Building department	67,300	64,606	2,694
Public service:			
Community service	425	245	180
Parks and recreation	104,535	92,082	12,453
Sanitation	449,000	448,557	443
Capital outlay	56,059	46,022	10,037
Total expenditures	1,654,569	1,543,366	111,203
Excess (deficiency) of revenues over expenditures	(340,219)	(194,926)	145,293
<b>Other financing sources (uses):</b>			
Operating transfers in	72,500	20,000	(52,500)
Operating transfers out	(25,000)	(25,000)	-
Total other financing sources (uses)	47,500	(5,000)	(52,500)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(292,719)	(199,926)	92,793
Fund balance at beginning of year	1,134,326	1,134,326	-
<b>Fund balance at end of year</b>	<b>\$ 841,607</b>	<b>\$ 934,400</b>	<b>\$ 92,793</b>



**Charter Township of Flushing  
Enterprise Fund (Water and Sewer Fund)  
Comparative Balance Sheet  
March 31, 2004 and 2003**

**Assets**

	<u>2004</u>	<u>2003</u>
Current assets:		
Cash and cash equivalents	\$ 1,689,253	\$ 1,668,218
Receivables:		
Accounts	18,983	12,272
Accrued interest	1,963	2,400
Tap-in contracts - current portion	13,216	15,575
Special assessments - current portion	64,578	56,924
Unbilled fees receivable	176,950	190,186
Due from other funds	91	38,316
Due from other governments	9,015	10,693
	<u>1,974,049</u>	<u>1,994,584</u>
Property, plant, and equipment:		
Utility system - water	7,316,232	6,857,226
Utility system - sewer	1,178,188	1,178,188
Equipment	29,150	29,150
	<u>8,523,570</u>	<u>8,064,564</u>
Less accumulated depreciation	2,096,730	1,965,675
	<u>6,426,840</u>	<u>6,098,889</u>
Construction in progress	<u>-</u>	<u>11,498</u>
Other assets:		
Tap-in contracts receivable - long-term	60,389	74,440
Special assessments receivable - long-term	221,554	187,612
	<u>281,943</u>	<u>262,052</u>
Total other assets	<u>281,943</u>	<u>262,052</u>
Total assets	<u>\$ 8,682,832</u>	<u>\$ 8,367,023</u>

	2004	2003
Current liabilities:		
Accounts payable	\$ 140,938	\$ 112,596
Due to other funds	366	32,964
Total liabilities	<u>141,304</u>	<u>145,560</u>
Fund equity:		
Contributed capital	3,795,939	3,795,939
Retained earnings	<u>4,745,589</u>	<u>4,425,524</u>
Total fund equity	<u>8,541,528</u>	<u>8,221,463</u>
Total liabilities and fund equity	<u>\$ 8,682,832</u>	<u>\$ 8,367,023</u>

**Charter Township of Flushing  
Agency Fund  
Statement of Changes in Assets and Liabilities  
Year Ended March 31, 2004**

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
<hr/>				
<b><u>Current Tax Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 55,488	\$ 6,921,590	\$ 6,974,039	\$ 3,039
Accounts receivable	620	700	620	700
Due from other funds	1,267	-	1,267	-
Due from other governments	-	2,076	1,871	205
	<hr/>			
Total assets	\$ 57,375	\$ 6,924,366	\$ 6,977,797	\$ 3,944
	<hr/>			
<b>Liabilities</b>				
Accounts payable	\$ 1,021	\$ -	\$ 1,021	\$ -
Due to other funds	24,969	1,348,587	1,370,493	3,063
Due to other governments	31,385	4,627,563	4,658,067	881
	<hr/>			
Total liabilities	\$ 57,375	\$ 5,976,150	\$ 6,029,581	\$ 3,944
	<hr/>			

July 23, 2004

To the Honorable Members of the Township  
Board of the Charter Township of Flushing

We have audited the general purpose financial statements of Charter Township of Flushing for the year ended March 31, 2004, and have issued our report thereon dated June 11, 2004. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter dated February 6, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Charter Township of Flushing's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of Flushing are described in

Note 1 to the general purpose financial statements. We noted no transactions entered into by Charter Township of Flushing during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the lives of fixed assets used in the enterprise fund. We evaluated the lives used and feel that they are reasonable in relation to the proprietary fund-type financial statements taken as a whole.
- Management's estimates of the pension actuarial accrued liability and the actuarial value of assets for the MERS Pension Trust. These estimates are prepared by independent actuaries of the pension trust. We evaluated the specific assumptions used and feel that they are reasonable in relation to the overall financial statement presentation.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Charter Township of Flushing's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Flushing's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

### **The Following Items Contain Other Information that the Township Board Should Consider**

#### **Due from/to funds**

We suggest that the Charter Township of Flushing combine due from/to the same funds in one line. Example General Fund has a due from and due to Sewer Fund; these two accounts should be combined into one account. For the year ended March 31, 2004 the client combined the due from/to the same funds.

#### **System Back Up Tapes**

According to discussions with the client, back up tapes are performed but have not been tested to verify that data exists on the tape. We suggest that Charter Township of Flushing test the data on the back up tape on a regular basis.

#### **General Ledger**

The general ledger was not printed at year end or monthly. We suggest that the Charter Township of Flushing print the general ledger monthly or at least at year end to have a hard copy of the data. For the year ended March 31, 2004 the client printed the general ledger on a monthly basis.

#### **GASB 34**

The Governmental Accounting Standards Board has revised the format for governmental financial statements. Significant changes from the current presentation include:

- Addition of a transmittal letter of management's analysis of the statements and current financial condition of the governmental unit.
- The presentation of government wide financial statements on a full accrual accounting basis.
- The inclusion of individual and combining fund financial statements on both the accrual and modified accrual accounting basis with the statements reconciled to the full accrual entity-wide statements.
- Reporting governmental expenditures net of program revenues to determine activity costs funded by public dollars.

To The Honorable Members of the Township  
Board of the Charter Township of Flushing  
July 23, 2004  
Page 4

- Including infrastructure assets (buildings, parks facilities, and land improvements) as assets on the balance sheet for the first time.
- All assets owned by the Township will be depreciated, including infrastructure assets and other assets recorded in the general fixed assets account group.
- Budget to actual comparisons would present both the original and final amended budgets.

The Township will have to implement the changes in the fiscal year ending March 31, 2005.

The State of Michigan Department of Treasury will allow the following departures from the above standards without ramifications.

- Omission of management's discussion and analysis.
- Omission of government wide financial statements.
- Omission of reporting infrastructure assets.

However, if you elect to omit the required items as allowed by state regulations, an "adverse" opinion will be issued on the financial statements.

We want to thank the Township staff for their cooperation and courtesy afforded us during the audit. We want also to thank the Township Board for the opportunity to serve as the Township's independent auditors.

This report is intended solely for the information of the Charter Township of Flushing and the State of Michigan, and is not intended to be and should not be used by anyone other than those specified parties.

*BKR Dupuis & Ryden*

Certified Public Accountants  
Flint Office